

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

ADMINISTRATION OF THE DUAL COMPENSATION ACT AND THE CIVIL SERVICE REFORM ACT

Report No. 93-104

May 28, 1993

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Acronyms

ASD (FM&P)	Assistant Secretary of Defense (Force Management and Personnel)
DFAS	Defense Finance and Accounting Service
DMDC	Defense Manpower Data Center
NASA	National Aeronautics and Space Administration
P.L.	Public Law
SF	Standard Form



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

May 28, 1993

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (FORCE
MANAGEMENT AND PERSONNEL)
COMPTROLLER OF THE DEPARTMENT OF DEFENSE
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Audit Report on the Administration of the Dual Compensation Act and
the Civil Service Reform Act (Report No. 93-104)

We are providing this final report for your information and use. We found that requests made by retirees for waiving overpayments were handled appropriately. However, weaknesses in administering the Dual Compensation and Civil Service Reform Acts had resulted in overpayments and the loss of Government funds. Comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, the Director, Defense Finance and Accounting Service, must provide final comments on the unresolved recommendations by July 30, 1993. We are also requesting comments from the Assistant Secretary of Defense (Force Management and Personnel). See the "Response Requirements for Recommendations" section at the end of the finding for the unresolved recommendations and the specific requirements for your comments.

As required by DoD Directive 7650.3, the comments must indicate concurrence or nonconcurrence with the finding and each recommendation addressed to you. If you concur, describe the corrective actions taken or planned, and give the completion dates for actions already taken and the estimated dates for completion of planned actions. If you nonconcur, please state your specific reasons for each nonconcurrence. If appropriate, you may propose alternative methods for accomplishing desired improvements.

The courtesies extended to the audit staff are appreciated. If you have any questions about this audit, please contact Mr. Richard B. Bird, Program Director, at (317) 542-3859 (DSN 699-3859), or Mr. Dennis L. Conway, Project Manager, at (703) 693-0455 (DSN 223-0455). Copies of the final report will be distributed to the activities listed in Appendix D.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosure

Office of the Inspector General, DoD

Report No. 93-104
Project No. 2FI-0010

May 28, 1993

**AUDIT REPORT ON THE ADMINISTRATION OF THE DUAL
COMPENSATION ACT AND THE CIVIL SERVICE REFORM ACT**

EXECUTIVE SUMMARY

Introduction. The Dual Compensation Act of 1964 states that an officer who has retired from a Regular component of a Military Department can receive the full Federal salary while employed in Federal service. However, under certain conditions, he or she must take a cut in military retirement pay. The Civil Service Reform Act of 1978 requires that for Federal employees who are retired from the Regular or Reserve components of a Military Department, military retirement pay must be reduced if the combined retirement pay and Federal salary exceed the current Level V pay rate. This audit was made in response to a complaint from a retired Army officer.

Objectives. The objectives of the audit were:

- o to evaluate the administration of the Dual Compensation and Civil Service Reform Acts,
- o to determine whether requests for waivers on repayment of overpayments were uniformly and appropriately adjudicated, and
- o to evaluate the internal controls related to the administration of the Dual Compensation and Civil Service Reform Acts.

Audit Results. The audit showed that requests for waivers of repayments of overpayments were handled appropriately. However, the Dual Compensation and Civil Service Reform Acts were administered in a manner that fostered overpayments and the loss of Government funds. We reviewed 228 of 6,317 pay accounts for retired officers in the Federal civilian service, and we identified cumulative overpayments of about \$501,000.

Internal Controls. We did not identify any material internal control weaknesses. See Part I for a description of controls assessed.

Potential Benefits of Audit. Implementation of our recommendations will decrease the number of overpayments and increase collection of prior overpayments, which will result in monetary benefits. We could not determine the amount of the monetary benefits from decreasing overpayments because the limited number of files we reviewed could not serve as a basis for a precise statistical projection of the results. Recoupment of \$246,000 would result from the collection of prior overpayments. Appendix B lists monetary and other potential benefits.

Summary of Recommendations. We recommended clarifying the distribution guidance for Standard Forms 50, and improving internal controls to assist the Defense Finance and Accounting Service in making accurate and timely pay adjustments for

military retirees in Federal civilian service. In addition, we recommended timely adjustments to military retired pay in conjunction with civilian pay increases, and collection of overpayments found during this audit. Implementation of these recommendations will result in monetary and nonmonetary benefits.

Management Comments. Comments were received from the Deputy Director for Finance, Defense Finance and Accounting Service (the Deputy Director), on February 23, 1993, and from the Deputy Comptroller of the Department of Defense (Management Systems) (the Deputy Comptroller) on February 5, 1993. Based on the Deputy Comptroller's response, we have added Recommendation 3., requesting that the Assistant Secretary of Defense (Force Management and Personnel) revise the guidance for distributing Standard Forms 50 to military retirees. Both the Deputy Director and the Deputy Comptroller concurred with our finding and recommendations, but two of the Deputy Director's responses will only partially implement our recommendations. Therefore, we request that they be reconsidered or expanded. Responses to the final report are due by July 30, 1993. A discussion of management comments and audit responses is in Part II of this report, and the complete text of management's comments is in Part IV.

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This report was prepared by the Financial Management Directorate, Office of the Inspector General for Auditing, DoD. Copies of the report can be obtained from the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, (703) 614-6303 (DSN 224-6303).

Part I - Introduction

Background

The Dual Compensation Act of 1964, Public Law (P.L.) 88-448, August 19, 1964, states that an officer who has retired from a Regular component of the Services can receive a full Federal salary, but that his or her retirement pay must be reduced when he or she begins Federal employment. However, the Dual Compensation Act does not require a reduction in retired pay for officers hired to fill the civilian positions shown in Appendix A. Also, a reduction in retired pay may not be required if there is a special emergency need for hiring a retired officer who has skills or experience that are difficult for an agency to obtain. The need for these retired officers is determined by:

- o the President of the Senate, with respect to positions in the Senate;
- o the Speaker of the House, with respect to positions in the House of Representatives;
- o the Architect of the Capitol, with respect to positions in the Office of the Architect of the Capitol;
- o the Civil Service Commission, subject to supervision and control of the President, with respect to all other positions;
- o the Administrator of the National Aeronautics and Space Administration (NASA), with respect to not more than 30 of NASA's employees who are appointed to scientific, engineering, or administrative positions;
- o the Governor of the U.S. Soldiers' and Airmen's Home (the Home), with respect to physicians' positions in the Home; and
- o the Board of Regents of the Uniformed Services University of the Health Sciences, with respect to physicians' positions.

Further, a reduction in retired pay is not required when retirement is based on a disability:

- o resulting from injury or disease received as a result of armed conflict, or
- o caused by an instrumentality of war.

According to the Civil Service Reform Act of 1978, P.L. 95-454, October 13, 1978, Federal employees who have retired from the Regular or Reserve components of the Military Departments will have their military retirement pay reduced if the total of their retirement pay and their Federal salary exceeds Level V of the Executive Pay Schedule. During calendar year 1991, the pay for a civilian at Level V was \$101,300, and during calendar year 1992, the pay was \$104,800.

The Defense Finance and Accounting Service Centers (the Centers) administer the reductions required by the Dual Compensation Act and the Civil Service Reform Acts (the Acts). As of September 30, 1991, the Centers processed about \$25.9 billion annually in retirement pay for approximately 1.7 million retired Service members, both officers and enlisted personnel.

Retirees who have been overpaid can request that repayment be waived. DFAS personnel had ensured that requests for waivers were processed and approved by the appropriate offices. Based on the dollar amount of a request, DFAS personnel processed the request or forwarded it to the General Accounting Office for review. All DFAS decisions appealed by the requestors were properly forwarded to the General Accounting Office.

Objectives

The objectives of the audit were to evaluate the administration of the Dual Compensation Act as it pertained to military retired pay, and to determine whether requests for waivers on repayment of overpayments were uniformly and properly adjudicated by DFAS. As part of our audit, we also examined the administration of the Civil Service Reform Act for military retired pay. We also evaluated internal controls over the administration of the Acts.

Scope

Analysis of Pay. We analyzed policies and procedures for paying retired military officers and enlisted personnel who were subject to the Acts. According to the Civil Service Reform Act, retired personnel will have their retirement pay reduced if their combined military retirement pay and Federal salary exceed Level V of the Executive Pay Schedule. None of the 523 enlisted retirees in our review had exceeded this limit.

Our analyses were conducted at four Centers, the Defense Manpower Data Center (DMDC), and the Military Departments. Specifically, we reviewed:

- o lists of retirees who were in Federal service and subject to the Acts, and who were paid by the Centers (as of March 1991, these lists contained about 110,000 retirees);
- o Federal pay records showing payments made to retirees between July 1984 and April 1992;
- o retirement pay and civilian personnel files that DMDC used to identify retirees who were potentially subject to reductions in pay;
- o files and lists containing waivers of repayment of overpayments processed at the Centers;

Introduction

- o forms and statements showing the dates that retirees entered Federal service, if their Federal service began after November 30, 1964; and
- o plans for internal control reviews, results of internal control reviews, and annual statements of assurance made by the Centers during FY 1991.

Audit Period, Standards, and Locations. This economy and efficiency audit was made from December 1991 through June 1992 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the IG, DoD, and accordingly included such tests of internal controls as were considered necessary. Appendix C lists activities we visited or contacted during the audit.

Technical Assistance. Statisticians assigned to the IG, DoD, assisted in selecting the retirees' records we reviewed. Because our survey results showed that a continued effort would not be cost-effective, we curtailed our review. Therefore, we could not statistically project the results.

Internal Controls

We assessed the internal controls needed to properly administer the Acts. We analyzed plans for internal control reviews, results of internal control reviews, and annual statements of assurance for FY 1991. No material internal control weaknesses were found.

Prior Audits and Other Reviews

No recent audits had been made on payments subject to the Acts. Therefore, no follow-up actions were required.

Part II - Finding and Recommendations

Processing Retired Pay Reductions

During the period covered by the audit, the Centers made overpayments of about \$501,000 to retired officers covered by the Acts. Overpayments occurred because:

- o the Centers did not receive complete documentation of retirees' Federal employment or did not properly process the documentation, and
- o procedures had not been established to make timely reductions in retirement pay when Federal salaries were increased Government-wide.

As a result, the Government overpaid retired officers who were in Federal service. Also, the Government lost money because retirees requested and received approval for waiving repayments when overpayments were found.

Identifying Affected Federal Employees

Retired Officer Payments. As of March 1991, four Centers were paying 6,317 retired officers, who were in Federal service and subject to the Acts, a total of about \$148 million annually in retirement pay. We reviewed 228 of the 6,317 retired officers' pay files for possible overpayments. The files were selected using information supplied by DMDC and sampling techniques.

Of the 228 retired officers in our review, 182 retirees were retired from Regular active duty, and 46 were retired from the Reserves. Forty-three of these officers had to be dropped from our review because they were exempt from the reductions or had combat-related disabilities.¹ Therefore, 185 of the 228 retired officers in our review (140 Regular and 45 Reserve officers) were affected by the Acts.

Reviewing DD Forms 1357. To determine who was affected by the Acts, the Centers also reviewed DD Forms 1357, "Statement of Employment - Regular Retired Officers." These forms give information about Regular retired officers' Federal employment. Of the 140 Regular officers in our review, 79 (56.4 percent) had not sent a DD Form 1357 to the Centers within 30 days after retirement. If an effective system had been used to obtain these forms, the Centers would have been better able to detect and prevent overpayments.

Receipt of Standard Forms 50. Overpayments were made to 118 of the 185 retirees because civilian personnel offices, both in DoD and other Federal agencies, were slow in sending the Standard Forms 50 (SF 50s), "Notification

¹ Some Federal agencies are permitted by public law to authorize exemptions to the Acts.

of Personnel Action," to the Centers. According to DoD Manual 1340.12-M, the "DoD Military Retired Pay Manual," March 9, 1987, civilian personnel offices should send SF 50s to the Centers to notify them that a retiree has entered Federal service and may be subject to the Acts. The Centers compute the reductions based on the salary figures in the SF 50s.

Regular Officers. For 76 (54.3 percent) of the 140 Regular officers whose records we reviewed, no SF 50 was available. When the Centers received SF 50s, they entered the information into the automated retirement pay system; however, the Centers had inadequate procedures to obtain missing forms.

Reserve Officers. For 42 of the 45 Reserve officers, no SF 50 or other documentation was available to determine if pay should be reduced according to the Civil Service Reform Act. For the remaining three retirees, no SF 50 had been sent to the Centers, but other documentation showed that these retirees had been overpaid about \$100,000.

For Reserve officers, the "DoD Military Retired Pay Manual" did not require civilian personnel offices to send SF 50s to the Centers. On December 21, 1978, the Office of Personnel Management had sent a letter to the Military Departments requiring civilian personnel offices to prepare SF 50s for Reserve officers and enlisted personnel. However, this requirement had not been included in the "DoD Military Retired Pay Manual." As a result, military retirees could be overpaid because the Centers did not have the necessary data from the SF 50s to determine which retirees were affected by the Civil Service Reform Act. If the "DoD Military Retired Pay Manual" were updated to require SF 50s for Reserve officers and enlisted personnel, DoD would have greater assurance that these officers and enlisted members are not being overpaid.

Adjusting Military Retirement Pay

Matching of Records. The Centers used reports from the DMDC to identify retirees who might be affected by the Acts. These reports matched military retirees' pay records (provided by the Centers) to civilian personnel records (provided by the Office of Personnel Management and other Federal agencies). Any name appearing on both records was examined for compliance with the Acts. The result was a list of retirees affected by the Acts (whose Federal pay plus retirement pay totals more than Level V pay) whose retirement pay has not been reduced.

Timeliness of Reductions. Reductions were not made promptly for retirees affected by the Dual Compensation Act. We found that 36 (25.7 percent) of the 140 retired Regular officers were overpaid. The overpayments, totaling about \$257,000, had occurred between July 1984 and April 1992, and retirees were overpaid for between 1 and 66 months. The Centers had identified 25 (69.4 percent) of the 36 retired Regular officers as overpaid; however, before our review, they had not identified the remaining 11 retired Regular officers who were overpaid by about \$106,000.

Processing Retired Pay Reductions

Pay was sometimes not promptly or accurately reduced for retirees affected by the Civil Service Reform Act. Twenty-eight (15.0 percent) of the 185 Regular and Reserve retirees received at least 1 overpayment between March 1985 and April 1992. These overpayments totaled about \$243,000, and the retirees were overpaid for up to 55 months. The Centers identified 21 (75 percent) of these 28 retirees, but failed to identify the other 7 retirees, who had received a total of about \$140,000 in overpayments. If the overpayments we identified were repaid, a potential monetary benefit of about \$246,000 would result.

Retirees were often not identified for pay reductions because the Centers did not process reports from the DMDC in a timely manner. Of the 12 DMDC reports that the Centers should have processed during calendar year 1991, 9 reports had not been processed as of April 17, 1992.

Adjusting for Civilian Pay Raises. Adjusting retirement pay to reflect Government-wide civilian pay raises could reduce overpayments. Since the percentage of a pay raise is generally known before the raise takes effect, retirement pay for those affected by the Acts could be adjusted as of the effective date of the raise. This would reduce overpayments by the number of months needed to obtain the SF 50s from the personnel offices. For example, DFAS-Denver applied the raise on the effective date for one individual, preventing overpayments of about \$1,400 for the 2 months before DFAS-Denver received an SF 50.

Recommendations for Corrective Action

1. We recommend that the Comptroller of the Department of Defense update DoD Manual 1340.12-M, the "DoD Military Retired Pay Manual," March 9, 1987, to state that Standard Forms 50 are required from civilian personnel offices for retired Reserve officers and enlisted personnel.
2. We recommend that the Director, Defense Finance and Accounting Service:
 - a. establish a procedure to make timely adjustments to the retirement pay of military retirees as soon as Government-wide increases for civilian employees take effect;
 - b. collect the overpayments we identified; and
 - c. establish and implement a follow-up system to identify the retirees who have provided DD Forms 1357, "Statement of Employment - Regular Retired Officers," and to ask those retirees who have not provided the forms to submit them.
3. We recommend that the Assistant Secretary of Defense (Force Management and Personnel) issue guidance requiring civilian personnel offices to: prepare Standard Forms 50 for retired Reserve officers and enlisted personnel, and send the forms to the Defense Finance and Accounting Service Centers.

Management Comments

We requested comments from the Comptroller of the Department of Defense and the Director, DFAS. Both the Deputy Comptroller of the Department of Defense (Management Systems) (the Deputy Comptroller) and the Deputy Director for Finance, DFAS (the Deputy Director), concurred with the finding and recommendations in the draft report.

Both the Deputy Comptroller and the Deputy Director concurred with Recommendation 1. However, the Deputy Comptroller suggested that a recommendation be addressed to the Assistant Secretary of Defense (Force Management and Personnel) to require civilian personnel offices to prepare and issue Standard Forms 50 to the Centers' retired pay offices.

The Deputy Director concurred with Recommendations 2.a., 2.b., and 2.c. in the draft report. The Deputy Director stated that three of the four Centers automatically adjust retired pay to reflect Government-wide civilian pay raises. The other Center requires a new SF 50 before the retired pay is adjusted. The Deputy Director also stated that the Centers have procedures to obtain DD Forms 1357 from officers who have not filed the forms within the required 30 days after retirement. Follow-up actions are taken until the form is received, or the officer's retired pay is suspended.

Audit Response

The "Response Requirements for Recommendations" chart at the end of this section lists the requirements for further comments.

We agree with the Deputy Comptroller's suggestion on Recommendation 1., and we request comments on Recommendation 3. from the Assistant Secretary of Defense (Force Management and Personnel) in response to the final report.

The Deputy Director's comments on Recommendations 2.a. and 2.c. are partially responsive. On Recommendation 2.a., the Deputy Director stated that three of the four DFAS Centers were automatically adjusting retired pay to reflect Government-wide civilian pay raises. These actions are responsive to our recommendation. However, the DFAS-Cleveland Center continues to make adjustments only after receiving an SF 50. This procedure often results in retirees owing large overpayments to the Government. When these retirees receive approval to not repay the overpayments, the Government loses these funds and the time used to process the requests. Unless the Deputy Director has a solution for reducing these overpayments, we believe that retired pay should be automatically adjusted when Government-wide civilian pay raises take effect. We request that the Director, DFAS, reconsider his response to the draft report.

In response to Recommendation 2.c., the Deputy Director stated that follow-up actions are taken until the DD Forms 1357 are received, or the officer's retired pay is suspended. He stated correctly that each Center had follow-up procedures in place at the time of our audit; however, the procedures at DFAS-

Processing Retired Pay Reductions

Kansas City were not completely effective in accounting for forms that had been provided by retirees. He also stated correctly that letters were being mailed to officers who were delinquent in sending DD Forms 1357 to the Centers; however, none of the Centers had suspended an officer's retired pay when the individual did not respond after several letters were sent. Therefore, we believe the Deputy Director's response does not fully correct the conditions we found. We request that the Deputy Director reconsider his initial comments and provide comments on Recommendation 2.c. and an action plan with specific milestones. The action plan should ensure that a follow-up system is in place to identify retirees who have provided DD Forms 1357 and to require retirees who have not provided the forms to submit them.

Response Requirements for Recommendations

Responses to the final report are required from the addressees shown for the items indicated with an "X" in the chart below.

<u>Response Should Cover:</u>					
<u>Number</u>	<u>Addressee</u>	<u>Concur/ Nonconcur</u>	<u>Proposed Action</u>	<u>Completion Date</u>	<u>Related Issues*</u>
2.a.	DFAS	X	X	X	IC
2.c.	DFAS	X	X	X	IC
3.	ASD (FM&P)	X	X	X	IC

* IC = internal control weakness

Part III - Additional Information

Appendix A. Civilian Positions Exempt From Dual Compensation Act Restrictions

- Employees of Armed Forces Entrance and Examining Stations
- Employees of Army Emergency Relief
- Chaplains employed by the Department of Veterans Affairs in part-time positions
- Physicians paid a specific fee based on a contractual agreement
- Employees of international organizations
- Employees of the Military Sea Transportation Service
- Employees covered by the Mutual Security Act
- Employees of the National Aeronautics and Space Administration
- Employees of Nonappropriated Fund Activities
- Employees who work under nonpersonal-service contracts
- Retired nurses
- Physicians employed by the U.S. Soldiers' and Airmen's Home
- Consultants to the Department of Veterans Affairs
- Employees of Volunteers in Service to America
- Medical doctors or osteopaths employed by the Department of Veterans Affairs
- Physicians employed by the Uniformed Services University of the Health Sciences
- Governors of the Federal Reserve Board

Appendix B. Summary of Potential Monetary and Other Benefits Resulting from Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
1. and 3.	Internal controls. Implementation should improve internal controls by ensuring that SF 50s are received from all military retirees.	Undeterminable.
2.a.	Program results. Implementation should reduce retiree overpayments by adjusting retired pay when Federal pay adjustments take effect.	Undeterminable.
2.b.	Program results. Implementation should result in recouping money erroneously overpaid to retirees.	Funds put to better use. Collection of overpayments will result in return of about \$246,000.
2.c.	Economy and efficiency. Implementation should improve economy and efficiency by ensuring timely receipt of DD Forms 1357.	Undeterminable.

Appendix C. Organizations Visited or Contacted

Office of the Secretary of Defense

Assistant Secretary of Defense (Force Management and Personnel), Washington, DC
Comptroller of the Department of Defense

Department of the Army

Office of the Administrative Assistant to the Secretary of the Army, Washington, DC
U.S. Army Information Systems Command, Fort Ritchie, MD
U.S. Army Missile Command, Redstone Arsenal, AL
U.S. Army Training and Doctrine Command, Fort Benning, GA
U.S. Army Training and Doctrine Command, Fort Rucker, AL
U.S. Army Forces Command, Fort Lewis, WA
VII Corps, Stuttgart, Germany

Department of the Navy

Bureau of Naval Personnel, Arlington, VA

Department of the Air Force

Office of the Judge Advocate General, Washington, DC

Marine Corps

Commandant of the Marine Corps, Washington, DC

Defense Agencies

Defense Finance and Accounting Service - Headquarters, Arlington, VA
Defense Finance and Accounting Service Center, Cleveland, OH
Defense Finance and Accounting Service Center, Denver, CO
Defense Finance and Accounting Service Center, Indianapolis, IN
Defense Finance and Accounting Service Center, Kansas City, MO
Defense Manpower Data Center, Monterey, CA
Uniformed Services University of the Health Sciences, Bethesda, MD
U.S. Soldiers' and Airmen's Home, Washington, DC
Washington Headquarters Services, Washington, DC

Non-Defense Federal Organizations

Department of Education, Washington, DC
Department of Health and Human Services, Washington, DC
Department of Labor, Washington, DC
Department of State, Washington, DC
General Accounting Office, Washington, DC
General Services Administration, Washington, DC
National Aeronautics and Space Administration, Hampton, VA
Nuclear Regulatory Commission, Washington, DC
Office of Personnel Management, Washington, DC
Department of Veterans Affairs, Washington, DC

Appendix D. Report Distribution

Office of the Secretary of Defense

Assistant Secretary of Defense (Force Management and Personnel)
Comptroller of the Department of Defense

Other Defense Organizations

Director, Defense Finance and Accounting Service
 Defense Finance and Accounting Service - Cleveland Center
 Defense Finance and Accounting Service - Denver Center
 Defense Finance and Accounting Service - Indianapolis Center
 Defense Finance and Accounting Service - Kansas City Center
Director, Defense Manpower Data Center

Non-Defense Federal Organizations

Office of Management and Budget
Office of Personnel Management
U.S. General Accounting Office

Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations

Part IV - Management Comments

Comptroller of the Department of Defense



OFFICE OF THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

FEB 5 1993

(Management Systems)

MEMORANDUM FOR DIRECTOR, FINANCIAL MANAGEMENT DIRECTORATE,
ODODIG

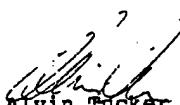
SUBJECT: Response to Project No. 2FI-0010, "Draft Audit Report
on the Administration of the Dual Compensation Act and
the Civil Service Reform Act," December 11, 1992

This memorandum responds to recommendation 1 in the subject
draft audit report.

- Recommendation. That the Comptroller of the Department of Defense update the Department of Defense (DoD) Military Retired Pay Manual to clarify that Standard Forms (SF) 50 are required from civilian personnel offices for retired Reserve officers and enlisted personnel.
- DoD Comptroller Response. Concur. The Defense Finance and Accounting Service has been requested to update the DoD Military Retired Pay Manual to clarify that SF 50s are required from civilian personnel offices for retired Reserve officers and enlisted personnel employed within Federal civilian service.

While this office concurs in the proposed recommendation, it should be noted that it is not within the purview of the DoD Comptroller or the Defense Finance and Accounting Service to ensure that the required SF 50s are issued. SF 50s are issued by the civilian personnel community, and not the financial community. Therefore, a complementary recommendation should be addressed to the Assistant Secretary of Defense (Force Management and Personnel) to require the civilian personnel offices to prepare and issue required SF 50s so the civilian pay offices can determine the proper level of compensation.

Ms. Susan M. Williams is my point-of-contact for this matter. She may be reached at (703) 697-3193.


Alvin Tucker
Deputy Comptroller
(Management Systems)

Director, Defense Finance and Accounting Service



DEFENSE FINANCE AND ACCOUNTING SERVICE WASHINGTON DC 20376 5001

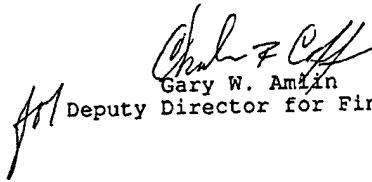
FEB 23 1993

(Finance)

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: Response to DoD(IG) Draft Report on the Administration
of Dual Compensation Act and the Civil Service Reform
Act (Project No. 2FI-0010)

Our comments on the audit report are attached. My point of contact concerning this matter is Mr. Roger Castillo, who may be contacted at DSN 327-1370 or Commercial 703-607-1370.



Signature of Gary W. Amin

Gary W. Amin
Deputy Director for Finance

Attachment

cc: DFAS-CL
DFAS-DE
DFAS-IN
DFAS-KC

Comments on DoDIG Draft Report on the
Administration of the Dual Compensation Act and the
Civil Service Reform Act (Project No. 2FI-0010)

Recommendation 1. The Comptroller of the Department of Defense update the DoD Military Retired Pay Manual (DoDMRPM) to clarify that Standard Form (SF) 50s are required from civilian personnel offices for retired Reserve officers and enlisted personnel.

DFAS Response. Concur. The Defense Finance and Accounting Service (DFAS) has initiated a change to the DoDMRPM which requires submission of an SF 50 for all retired officers and enlisted personnel. Final change to the DoDMRPM should be completed within 60 days. Estimated completion date is May 30, 1993.

Recommendation 2a. Director, DFAS establish a procedure to make timely adjustments to the retirement pay of military retirees as soon as Government-wide increases for civilian employees take effect.

DFAS Response. Concur. Currently, three of the four DFAS Centers automatically adjust retired pay to reflect Government-wide civilian pay raises. The other Center requires receipt of a new SF 50 before retired pay is adjusted. In most cases, retired pay is adjusted within 30 days of receipt of a new SF 50. Both procedures are adequate for adjusting retired pay resulting from a Government-wide civilian pay raise.

Recommendation 2b. Director, DFAS collect the overpayments identified.

DFAS Response. Concur. On February 3, 1993, DFAS received the listing of names, social security numbers, and possible overpayments identified in the report. The DFAS Centers will research the listing provided and collect, as appropriate, any overpayments. The research process should be completed within 60 days. Estimated completion date is June 30, 1993.

Recommendation 2c. Director, DFAS establish and implement a follow up system to identify retirees who have and have not provided DD Form 1357, Statement of Employment, and to ask those retirees who have not provided the forms to submit them.

DFAS Response. Concur. The DFAS Centers already have procedures in place to follow up on those officers who have not filed a DD Form 1357. These procedures are in consonance with the DoDMRPM which requires that all retired Regular officers submit a DD Form 1357 whether or not they are employed. If a retired Regular officer does not submit a DD Form 1357, a letter is mailed requesting that they submit the form. Follow-up actions are taken until the form is received or the officer's retired pay is suspended.

Audit Team Members

Nancy L. Hendricks	Director, Financial Management
Richard B. Bird	Program Director
Dennis L. Conway	Project Manager
James W. Chunn	Team Leader
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